AR48

CONTROLLED FOODS INTERNATIONAL LTD.

ANNUAL REPORT

1971

CONTROLLED FOODS INTERNATIONAL LTD.

Contents

AR48

CONTROLLED FOODS INTERNATIONAL LTD.

Interim Report to Shareholders

for six months ended June 30, 1971

LITHOGRAPHED IN CANADA BY SECURITY PRINTING CORP. LTD., VANCOUVER, B.C.

To our Shareholders:

As explained in the first quarter report, the decline in gross operating revenues is a direct result of the closing of all company owned Chappy's stores, the closing of unprofitable units, and the placing of operating units in the United States on a management contract.

Earnings for this period increased slightly from $170,816 or 6.5 cents per share to $174,600 or 6.7 cents per share.

The restaurant division of the company was stronger in the first half with the new Fuller's in Edmonton exceeding both its projected volume and profits by a substantial margin. Three new units under construction in Edmonton, Calgary, and Toronto will be open to the public by late October or early November. Agreements have been finalized whereby your company will participate with a Fuller's in the new Londonderry Shopping Complex now under construction in Edmonton.

Mild weather conditions during July and August have returned the drive-in division of the company to normal operating conditions and we are looking forward to a good third quarter report.

On Behalf of the Board

LeRoy E. Fuller
President

August 23, 1971

CONTROLLED FOODS INTERNATIONAL LTD.
(and its wholly-owned subsidiaries)

STATEMENT OF CONSOLIDATED EARNINGS

For the Six Months ended June 30, 1971
(with comparative figures for 1970)

(UNAUDITED)

	1971	1970
Gross operating revenues	$6,195,648	$6,760,772
Costs and Expenses:		
Operating, selling, general and administrative	5,661,320	6,204,605
Interest	79,261	96,885
Depreciation	154,865	166,647
	5,895,446	6,468,137
Net income before income taxes	300,202	292,635
Estimated income taxes	125,602	121,819
Net income for the period	174,600	170,816
Earnings per share	6.7¢	6.5¢

Note:

Earnings per share in each year is calculated on the basis of 2,625,000 shares outstanding.

CONTROLLED FOODS INTERNATIONAL LTD.
(and its wholly-owned subsidiaries)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1971
(with comparative figures for 1970)

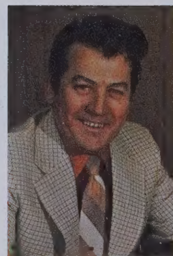
(UNAUDITED)

	1971	1970
Source of funds:	$	$
Net income for the period	174,600	170,816
Add charges not requiring an outlay of funds:		
Depreciation & amortization	154,865	166,647
Development & franchise costs	20,597	23,303
Funds provided by operations	350,062	360,766
Decrease in other assets	8,335	–
Disposal of fixed assets	297,544	91,684
Decrease in long-term receivables	–	54,752
Additional long-term financing	55,604	167,600
	711,545	674,802
Application of funds:		
Purchase of fixed assets	415,269	483,619
Decrease in long-term debt	484,686	233,670
Decrease in deferred franchise revenue	–	185,460
	899,955	902,749
Decrease in working capital during period	188,410	227,947
Working capital deficiency, January 1	823,525	1,062,510
Working capital deficiency, June 30	1,011,935	1,290,457

HIGHLIGHTS

(000's eliminated)

	1971	1970
Revenues	$13,236	$13,562
Net income for year before extraordinary items	473	390
Net income (loss) for year	1,321	(719)
Cash flow	819	651
Total assets	8,136	6,220
Shareholders' equity	4,674	3,353
Per common share	1971	1970
Net income for year before extraordinary items	$ .18	$ .15
Net income (loss) for year	.50	(.27)
Cash flow	.31	.24
Shareholders' equity	1.78	1.28
Number of Restaurants at end of year — Company operated	1971	1970
A & W	49	51
Fuller's	4	1
Chappy's	—	2
Other	3	8
	56	62



J. Marcel Prefontaine
Vice-President

Robert R. Roe
Secretary-Treasurer

D. Glen Neil
Administration

James R. Turriff
Controller

TO OUR SHAREHOLDERS:

You will find as you review the financial portion of this report that your Company has achieved significant improvements. The balance sheet is stronger and there is a marked improvement in earnings. Revenues remained equal to those of 1970 even though the Company had sold or closed units and subsidiaries that contributed $1,500,000 in sales to the 1970 totals. Increased revenues from operating units (5.6% increase over 1970) in the A & W Division, plus a full year's sales from the Fuller's Restaurant in Edmonton, allowed us to maintain gross revenues.

Profits of the Company, before taxes, were up 28.5% with after-tax profits showing an increase of 21.3%. This amounted to 18¢ per share for 1971 as compared to 15¢ per share for 1970. Extraordinary earnings, derived mainly from the sale of the Burger Family trademarks in the U.S., increased our total earnings to $1,321,340 or 50¢ per share.

Lack of capital restricted our expansion in the early part of 1971 and the only additional units added were the Fuller's Restaurants opened in Edmonton, Toronto and Calgary. These units, opened within a three-week period during the latter part of November and the early part of December, contributed little to our sales or profits in 1971 but will contribute significantly to both these categories in 1972.

The sale of the Burger Family Trademarks in the U.S. in September improved the financial stability of our company and will provide for sufficient capital, along with anticipated mortgages and leasebacks, to allow for substantial growth in 1972.

At the present time the Company has three additional Fuller's units under construction and has offers to acquire two additional sites in Toronto. In addition, the Company will participate with a restaurant in the Londonderry Shopping Centre complex due to open in Edmonton in August of this year and is presently seeking sites for a minimum of three new locations. We also anticipate adding three additional A & W outlets to that Division by year's end.

The first quarter of 1972 indicates that sales and profits will be above those of 1971 and the financial position of the Company, mentioned previously as being stronger, will allow us to greatly accelerate our growth over that of 1971. We expect to generate sales of approximately $16 million, with a substantial increase in earnings per share over that of last year.

On behalf of the Board:

LeRoy E Fuller

LeRoy E. Fuller
President

April 26, 1972

Financial Review

FINANCIAL POSITION:

Shareholders' equity was $4,674,188 or $1.78 per share at the end of 1971 compared to $3,352,848 or $1.28 per share at the end of 1970.

The Company has a working capital deficit of $148,219 as at the end of 1971 compared to $823,525 at the end of 1970; an improvement of $675,306.

REVENUES:

Sales of good and supplies were $12,966,184 in 1971 compared with sales of $13,013,147 in 1970.

Comments by divisions on the above sales figures are as follows:

A & W DRIVE-INS

During the year, the Company sold one A & W drive-in in British Columbia and did not open any new units. The average sales for A & W's increased from $200,900 per unit in 1970 to $212,200 per unit in 1971, an increase of 6%. Sales in this division were $10,466,000 in 1971 compared to sales of $10,116,000 in 1970.

FULLER'S RESTAURANTS

After a very successful year of operation of the pilot unit under this concept, the Company added three more Fuller's in December. These new units, therefore, did not have a material effect on 1971 sales but it is expected that they and other Fuller's now under construction will substantially contribute to the sales of future years.

BURGER FAMILY

During the year, the Company sold the Burger Family trademarks and placed the operating restaurants in South Carolina on a management contract. These two steps will therefore eliminate all sales that were contributed by this division in 1971. The $631,000 in sales contributed by this division in 1971 was generally from the Burger Family merchandising division up to the date of its sale.

CHAPPY'S FISH & CHIPS

As explained in the 1970 Annual Report, the Company closed all company-owned fish & chips stores. The sales from this division were therefore eliminated in 1971 compared to sales of $564,000 in 1970. In connection with the curtailment of this program, no revenues were produced in 1971 from equipment sales and franchise fees.

OTHER RESTAURANTS

At the end of 1970, the Company closed one of the four units reported under this category. The sales of $999,000 for 1971 therefore reflect sales of three units while the sales of $974,000 for 1970 reflect sales of four units.

EARNINGS:

Income before income taxes and extraordinary items was $869,147 in 1971 compared with $676,856 in 1970; an increase of 28.5%.

No franchise fee revenue was earned in 1971 whereas $122,400 in franchise fees was included in 1970 revenues.

Extraordinary items of income were $848,285 compared to items of expense of this nature of $1,108,707 in 1970. The major part of the 1971 income is the net gain on the sale of the Burger Family trademarks. The major part of the 1970 expense is the write-down of assets connected with the Chappy's Fish & Chips program. Both years' items include a credit from the reduction in income taxes arising from carry-forwards of prior years' losses and claiming amounts for tax purposes in excess of those recorded in the accounts.

Our income tax rate increased from 42.4% in 1970 to 45.6% in 1971. The 1970 rate is lower primarily because of non-taxable gains included in income. The companies have unused tax losses aggregating $200,000 which are available for deduction from future taxable income.

Net income before extraordinary items for the year in 1971 was $473,055 or 18¢ per share, compared with $389,856 or 15¢ per share in 1970; an increase of 21.3%. This increase can be attributed to the closing of unprofitable or marginal operations, better control and operating efficiencies and the centralization of the accounting in Vancouver in 1970. Earnings per share are based on 2,625,000 issued shares in both years.

A & W DIVISION

What's a good hamburger without a good root beer? What's a good root beer without a good hamburger? Using this philosophy, Allen and Wright opened the first A & W in California in 1919. It has grown to be one of the largest chains of drive-in restaurants in the world.

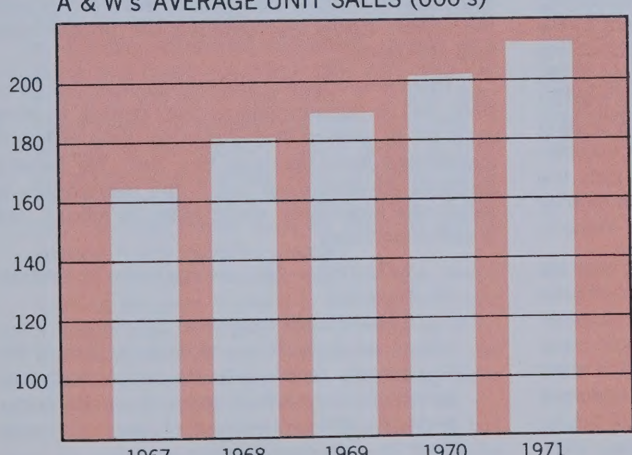
Your Company now operates a total of 49 A & W's in British Columbia (14), Alberta (10), Ontario (23) and Quebec (2), under a franchise agreement with A & W Food Services of Canada Ltd. At the present time this Division of the Company contributes 77.7% of our gross sales volume and is a major contributor to Company profits. The average sales per unit increased by approximately six percent in 1971 and early indications are that in 1972 our percentage increase per unit will better that of last year.

Continual upgrading of building design, improved promotional and advertising techniques, combined with improved menu selection, has established A & W as a leader in its field in Canada.

This year a new burger was introduced called the "Happy Burger" which, to date, is exceeding projected sales. The timing of the introduction of this burger was extremely good as the "Happy Face" is being promoted by large and respectable companies.

We look for continued growth in this Division of our Company and we are presently seeking additional locations in Edmonton, Ontario and Quebec.

A & W's AVERAGE UNIT SALES (000's)



FULLER'S DIVISION

Prime location, pleasant surroundings, good food, and efficient friendly service, is the criteria of all successful restaurants. Special emphasis is placed on achieving positive results in these areas and based on customer acceptance and comments, Fuller's meets all of the above mentioned requirements.

In choosing a location we look for a main arterial thoroughfare with a good residential base and preferably a mixture of light industry. We have found that additional volumes are generated throughout the day if a light industrial mix is present. Evening activities which attract the public to the area in which you are operating, i.e. theatres, community centres, etc., benefit the evening business. Other points such as accessibility to the location, traffic lights, speed zones, etc. are taken into consideration.

Both the exterior and interior of the restaurant were designed to appeal to a large segment of the public. The decor is bright and cheerful, conveying a friendly atmosphere. All uniforms have been colour co-ordinated to harmonize with the interior and special emphasis has been placed on seating to ensure the utmost in comfort to the customer. The photos pictured above were taken with the thought in mind of providing you with both interior and exterior awareness of the design of Fuller's.

From the outset, it was our intention to operate Fuller's on a 24 hour basis and a great deal of time and effort was placed on the design and contents of the menu to ensure that the public would have an adequate choice of menu items to fulfill their needs at any time of the day or night. The restaurant features a full breakfast menu, available 24 hours, plus a specially designed children's menu. Constant quality checks are made to ensure that only the highest quality food products are prepared and sold at Fuller's.

To ensure efficient, friendly service, the Company has a comprehensive pre-opening training program to ensure that customer satisfaction is guaranteed from the very first day. We have a standard advertisement run in the newspapers to select new employees, which reads as follows, and is self-explanatory:

> "WANTED — Earn as you learn to become a Fuller's Girl.
>
> A Fuller's girl must love people and learn how to serve the finest of foods in one of the new Fuller's restaurants. So never mind your age or measurements, if you possess tact, poise, goodwill and a genuine love of people, then you have the right qualifications.

It's a rare breed that day in and day out can thrive on serving little gun-toters or little grannies, weary or worried customers, people in a hurry, and those who like a little help with the menu. If you have that kind of talent then never mind the experience, we'll train you to become a Fuller's Girl. You'll work in new attractive surroundings that combine table and counter service, a fantastic menu, where you can refill coffee cups as often as guests request it with no extra charge.

Our first one month 'earn as you learn' training program is about to start, and for you it could begin a brand new exciting career."

As mentioned in the President's report, the Company presently has four units operating, three additional units under construction, offers to acquire two sites in Toronto and, in addition, will open its restaurant in the Londonderry Shopping Centre complex in Edmonton, due to open August of this year. Plans call for three additional units to be opened in 1972 other than those mentioned above. Sales in the units thus far have strengthened our belief in the program and Fuller's is now, and will continue to be, a principal portion of the Company's future expansion.

CONTROLLED FOODS INTERNATIONAL LTD.
(and its wholly-owned subsidiaries)

CONSOLIDATED BALANCE SHEET December 31, 1971 (with comparative figures at December 31, 1970)

ASSETS	1971	1970
CURRENT:		
Cash	$ 609,355	$ 21,672
Notes and accounts receivable (note 2)	972,518	348,994
Inventory at the lower of cost and net realizable value	210,562	237,148
Prepaid expenses and deposits	47,287	39,895
Total current assets	1,839,722	647,709
LONG TERM NOTES AND RECEIVABLES (note 3)	333,850	32,294
FIXED (note 4):		
Buildings, equipment and leasehold improvements	4,787,295	4,089,449
Less accumulated depreciation and amortization	1,575,189	1,388,962
	3,212,106	2,700,487
Land	1,624,953	1,034,463
Properties and equipment held for resale	554,900	1,137,327
	5,391,959	4,872,277
OTHER:		
Franchises and leases at cost less amortization (note 5)	400,141	485,540
Development costs (note 5)	20,441	32,705
Deferred charges	110,199	124,246
Deposits	39,931	24,931
	570,712	667,422
	$8,136,243	$6,219,702

LIABILITIES	1971	1970
CURRENT:		
Accounts payable and accrued charges	$1,135,544	$ 880,982
Income and other taxes payable	500,132	205,632
Current portion of long term debt (note 6)	352,265	384,620
Total current liabilities	1,987,941	1,471,234
LONG TERM DEBT (note 6)	1,474,114	1,395,620
SHAREHOLDERS' EQUITY:		
Capital stock (note 7) —		
Authorized:		
4,000,000 shares without par value		
Issued and outstanding:		
2,625,000 shares	3,311,509	3,311,509
Retained earnings	1,362,679	41,339
	4,674,188	3,352,848
	$8,136,243	$6,219,702

On behalf of the Board:

DIRECTOR

DIRECTOR

See accompanying notes to the financial statements.

CONTROLLED FOODS INTERNATIONAL LTD.

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

	1971	1970
Revenues:		
Sales —		
Food and supplies	$12,966,184	$13,013,147
Equipment		167,824
Franchise fees		122,400
Licence fees and royalty income	21,820	40,121
Rental income	116,178	81,619
Other income — net	131,879	136,547
	13,236,061	13,561,658
Costs and expenses:		
Cost of sales —		
Food and supplies	4,713,291	4,822,725
Equipment		144,383
Depreciation and amortization of fixed assets	317,307	342,251
Selling, operating, general and administrative expenses	7,155,237	7,352,711
Interest —		
Long term debt	168,125	158,194
Other	12,954	64,538
	12,366,914	12,884,802
Income before income taxes	869,147	676,856
Income taxes	396,092	287,000
Income before extraordinary items	473,055	389,856
Extraordinary items (note 8)	848,285	(1,108,707)
Net income (loss) for year	1,321,340	(718,851)
Retained earnings, beginning of year	41,339	760,190
Retained earnings, end of year	$ 1,362,679	$ 41,339
Earnings per share (note 7):		
Income before extraordinary items	$.18	$.15
Net income (loss) for year	$.50	$(.27)

See accompanying notes to the financial statements.

CONTROLLED FOODS INTERNATIONAL LTD.

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1971 (with comparative figures for 1970)

	1971	1970
Source of funds:		
Operations —		
Income before extraordinary items	$473,055	$389,856
Charges (credits) to income not involving funds:		
Depreciation and amortization of fixed assets	317,307	342,251
Amortization of franchises and lease costs	28,516	32,165
Franchise fee revenue		(122,400)
Write off of long term receivables — net		9,150
Total funds from operations	818,878	651,022
Additional long term debt financing	875,233	719,169
Decrease in long term receivables	32,294	10,560
Disposal of other assets — net	68,194	17,142
Disposal of fixed assets	444,936	793,207
Sale of Burger Family trade marks and other extraordinary items	697,209	
	2,936,744	2,191,100
Application of funds:		
Retirement of long term debt	738,217	687,144
Fixed assets acquired	1,523,221	935,891
Reduction in deferred franchise revenue		75,112
Extraordinary items		253,968
	2,261,438	1,952,115
Increase in working capital	675,306	238,985
Working capital deficiency, beginning of year	(823,525)	(1,062,510)
Working capital deficiency, end of year	$(148,219)	$(823,525)

See accompanying notes to the financial statements.

AUDITORS' REPORT

To the Shareholders of
Controlled Foods International Ltd.:

We have examined the consolidated balance sheet of Controlled Foods International Ltd. and its wholly-owned subsidiaries as at December 31, 1971 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada

March 30, 1972

Clarkson, Gordon & Co.

Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1971

1. Principles of consolidation —

The consolidated financial statements include the financial statements of Controlled Foods International Ltd. and all its subsidiary companies. All U.S. balances have been translated into Canadian funds at par.

The company acquired various subsidiary companies by means of the issue of shares. The assets and liabilities of these companies have been combined in the accompanying balance sheet on a "pooling of interests" basis. The acquisition of all the outstanding shares of a company operating in Southern Ontario and the cost of the assets and undertaking of three restaurants acquired, principally for cash, by a subsidiary company have been accounted for as "purchases".

2. Notes and accounts receivable —

Notes and accounts receivable comprise the following:

	1971	1970
Due from sale of Burger Family trade mark - current portion	$500,000	
Due from sale of property	111,150	$131,835
Mortgage advances due	260,386	85,790
Trade and other receivables	83,878	108,498
Amounts due from shareholders	17,104	22,871
	$972,518	$348,994

3. Long term notes and receivables —

Long term notes and receivables comprise the following:

	1971	1970
Due from sale of Burger Family trade mark - 7% - Feb. 1, 1973	$200,000	
Due from sale of property		
- 8% - receivable in monthly instalments to April 1, 1987	133,850	
- due in 1972 (received during 1971)		$32,294
	$333,850	$32,294

4. Fixed assets —

Fixed assets are valued at cost to the consolidated companies except for the assets of discontinued businesses which are valued at estimated market value. The major categories of assets are as follows:

	Cost	Accumulated depreciation and amortization	1971 net value	1970 net value
Buildings	$1,857,597	$ 291,364	$1,566,233	$1,307,198
Equipment, signs, automotive, fencing & paving	2,246,320	1,097,017	1,149,303	957,366
Leasehold improvements	683,378	186,808	496,570	435,923
	4,787,295	1,575,189	3,212,106	2,700,487
Land	1,624,953		1,624,953	1,034,463
	$6,412,248	$1,575,189	$4,837,059	$3,734,950
Property and equipment from discontinued businesses, held for resale - at estimated market value			554,900	1,137,327
			$5,391,959	$4,872,277

The company provides depreciation on its assets on a straight-line basis using rates designed to amortize the cost over the estimated useful life of the assets.

5. Other assets —

Franchise and lease costs are being amortized on a straight-line basis over the terms of the contractual agreements varying to a maximum of eighteen years.

Development costs are being amortized on a straight-line basis over three years from the commencement of the program.

6. Long term debt — Long term debt consists of:

	1971	1970
Mortgages and agreements - with interest rates from 6% to 12% and maturing at various dates to August 1, 1986, secured by charges against land and buildings of subsidiary and affiliated companies	$1,532,906	$1,264,229
Notes payable - with interest rates from 7% to 8½% and maturing at various dates to April 1, 1977. With the exception of one note in the amount of $78,750 which is secured by a floating charge debenture on the assets of a subsidiary company, none of the notes is secured	167,333	250,083
Lien notes payable - due at various dates to October, 1976, secured by charges against equipment of subsidiary and affiliated companies	126,140	176,601
Lease commitments capitalized on discontinued businesses		89,327
	1,826,379	1,780,240
Less amounts due within one year	352,265	384,620
	$1,474,114	$1,395,620

The aggregate amount of principal repayable over the next five years is as follows:

1972 - $352,265; 1973 - $124,037; 1974 - $65,853; 1975 - $367,970; 1976 - $667,428.

7. Capital stock —

During 1971 the company granted options to senior employees to purchase 35,000 shares at a price of $2 per share exercisable at various times to June 30, 1976 with respect to 28,000 shares and June 30, 1977 with respect to 7,000 shares.

At December 31, 1971 there were other outstanding stock options on 21,500 shares at $6.50 per share expiring June 30, 1972.

There would be no dilutive effect on the earnings per share if these options were exercised.

8. Extraordinary items —

Extraordinary items comprise the following — income or (loss):

	1971	1970
Gain on sale of Burger Family trade marks, after provision for applicable U.S. Federal and State income taxes of $399,500	$764,157	
Loss resulting from the unpegging of the Canadian dollar - net		$ (31,791)
Settlement with former officer		(58,144)
Costs incurred or provided in respect of business discontinuance - net	(24,219)	(1,101,339)
Reduction in income taxes arising from carry forwards of prior years losses and claiming amounts for tax purposes in excess of those recorded in the accounts (see note 10)	108,347	82,567
	$848,285	$(1,108,707)

9. Statutory information —

The remuneration of directors and senior officers amounted to $123,842 (1970 - $154,467).

10. Deferred tax charge —

No provision has been made for tax reductions in future years resulting from costs recorded in the accounts in excess of those claimed for tax purposes and losses incurred by certain subsidiaries in 1971 and prior years which are available for deduction from future taxable income in the respective companies within the limitations prescribed by Canadian tax law. No recognition has been made in the accounts of the possible reduction of $378,000 in future income taxes on application of these costs and losses.

11. Commitments —

Certain subsidiary companies have entered into leases of real property for varying terms up to a maximum of twenty-four years with rentals varying in some instances with gross revenues, taxes, insurance and other occupancy charges. Minimum rentals for the succeeding five years are as follows:

1972	$384,943
1973	363,558
1974	367,773
1975	365,323
1976	360,403
	$1,842,000

A subsidiary company has entered into contracts for the construction of three Fuller's restaurants at an estimated total cost of $856,500, of which $12,500 was incurred during the year.

DIRECTORS:

Richard Frederick Bolte
Kenneth Alfred Fowler
LeRoy Earl Fuller
Jerroll Russell Johnston
Joseph Clement Murphy
Ross James Turner

OFFICERS:

LeRoy Earl Fuller
J. Marcel Prefontaine
Robert Richard Roe

HEAD OFFICE:
Vancouver, Canada

SOLICITORS:
Davis & Company

TRANSFER AGENT:
Canada Permanent Trust Company

AUDITORS:
Clarkson, Gordon & Co.

BANKERS:
The Toronto-Dominion Bank

STOCK LISTING:
Toronto Stock Exchange

CONTROLLED FOODS INTERNATIONAL LTD. and Predecessor Companies

FIVE YEAR STATISTICAL REVIEW

(000's eliminated)

	1971	1970	1969	1968	1967
Sales	$12,966	$13,181	$12,945	$11,412	$10,296
Franchise fees		123	88		
Other income	270	258	173	52	63
	13,236	13,562	13,206	11,464	10,359
Cost of sales	4,713	4,967	4,986	4,473	4,139
Operating expenses	7,155	7,353	7,142	5,598	5,372
	11,868	12,320	12,128	10,071	9,511
Operating profit	1,368	1,242	1,078	1,393	848
Depreciation & amortization	318	342	313	271	215
Interest	181	223	162	119	90
	499	565	475	390	305
Income before taxes	869	677	603	1,003	543
Income taxes	396	287	294	383	176
Net income for year before extraordinary items	473	390	309	620	367
Extraordinary income (expense)	848	(1,109)			
Net income (loss) for year	$ 1,321	$ (719)	$ 309	$ 620	$ 367
Average number of shares outstanding (Note)	2,625	2,625	2,451	2,340	2,340
Earnings per share before extraordinary items	$ .18	.15	.13	.26	.16
Earnings (loss) per share	$ .50	(.27)	.13	.26	.16

Note: For purposes of comparison the 1967 and 1968 earnings per share are computed using the number of shares outstanding immediately prior to the public offering.

A & W DRIVE-INS:

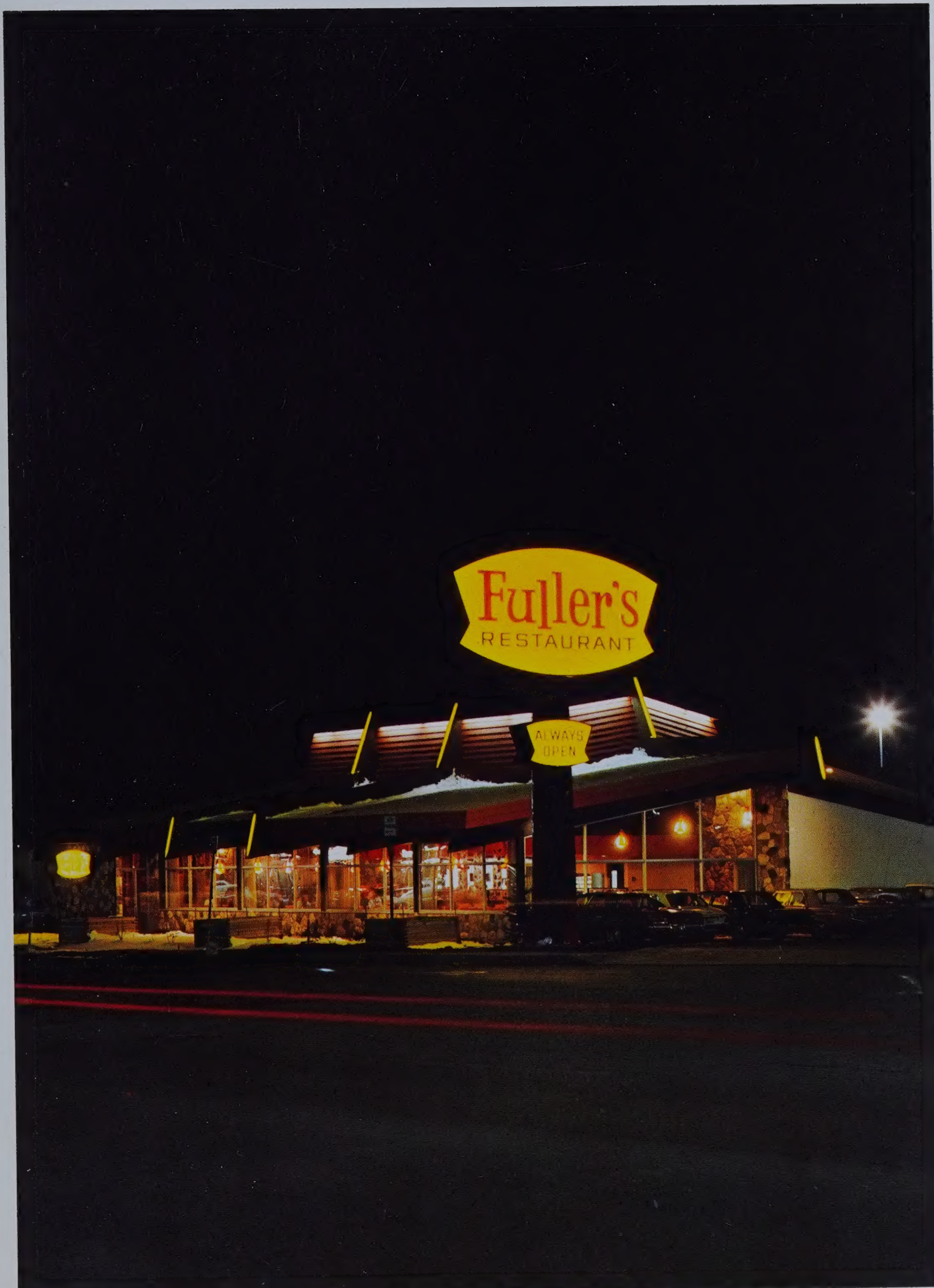
ONTARIO:	
Belleville	1
Brockville	1
Cornwall	2
Kingston	1
London	4
Mississauga	1
Niagara Falls	2
Oakville	1
Port Colborne	1
Port Credit	1
Richmond Hill	1
St. Catharines	2
Stratford	1
Trenton	1
Welland	2
Woodstock	1
BRITISH COLUMBIA:	
Victoria	4
Campbell River	1
Nanaimo	1
Courtenay	1
Duncan	1
Abbotsford	1
Haney	1
White Rock	1
Port Coquitlam	1
Chilliwack	1
Langley	1
ALBERTA:	
Edmonton	10
QUEBEC:	
Granby	1
Sherbrooke	1

FULLER'S RESTAURANTS:

ALBERTA:	
Edmonton	2
Calgary	1
ONTARIO:	
Toronto	1

OTHER RESTAURANTS:

ONTARIO:	
London	1
MANITOBA:	
Winnipeg	1
ALBERTA:	
Edmonton	1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